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Cigarette Industry Overview

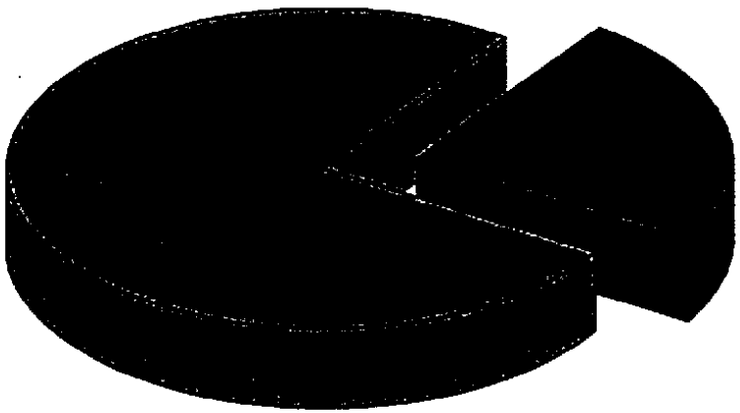
2nd Half 1997

R. J. Reynolds Tobacco Company

Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000

Smoking Incidence

Percent of Total U.S. Adult Population



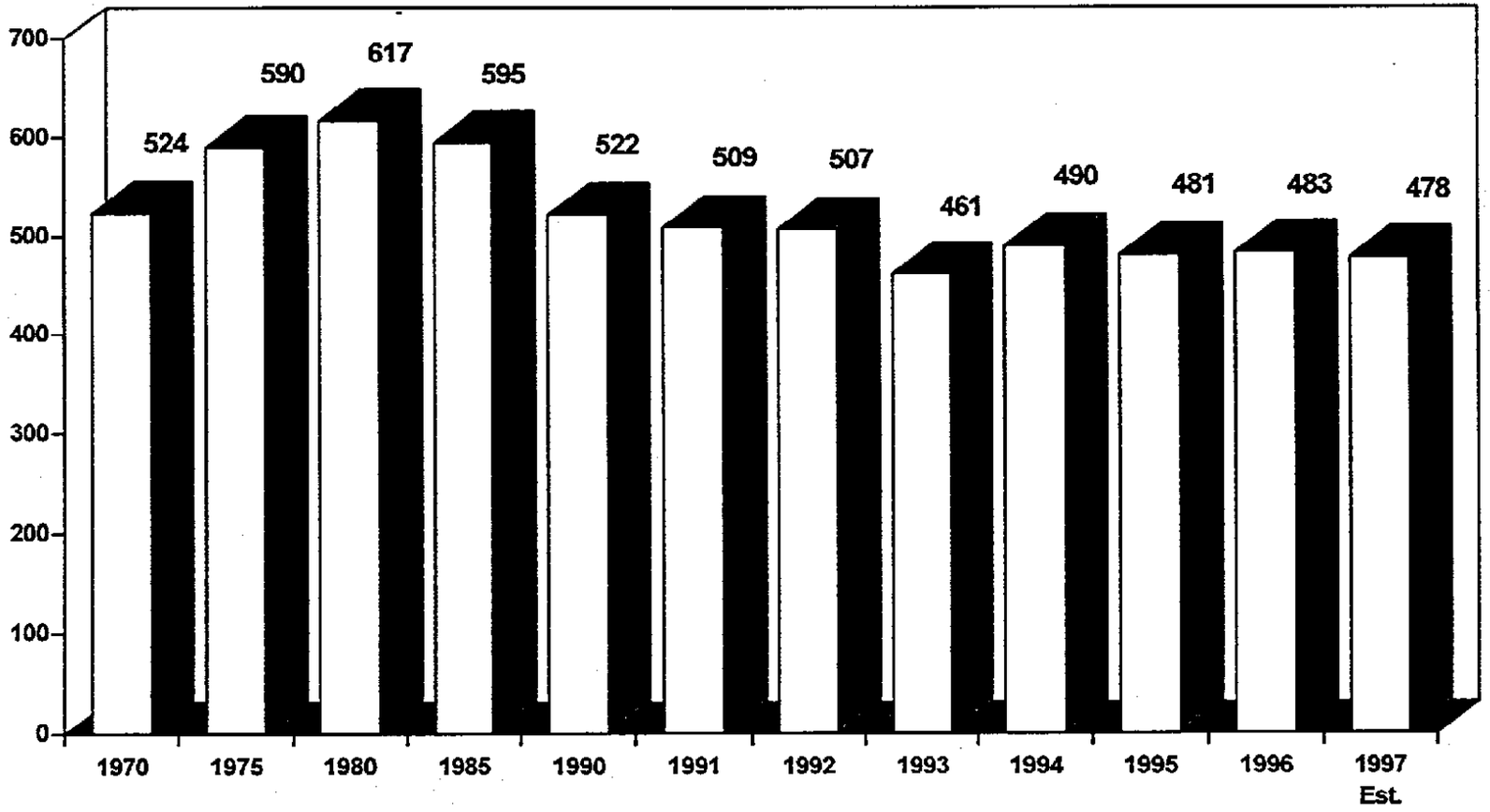
- Approximately 46 million adults (over 18) in the US are smokers.

Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000

Total U.S.

Cigarette Industry Volume

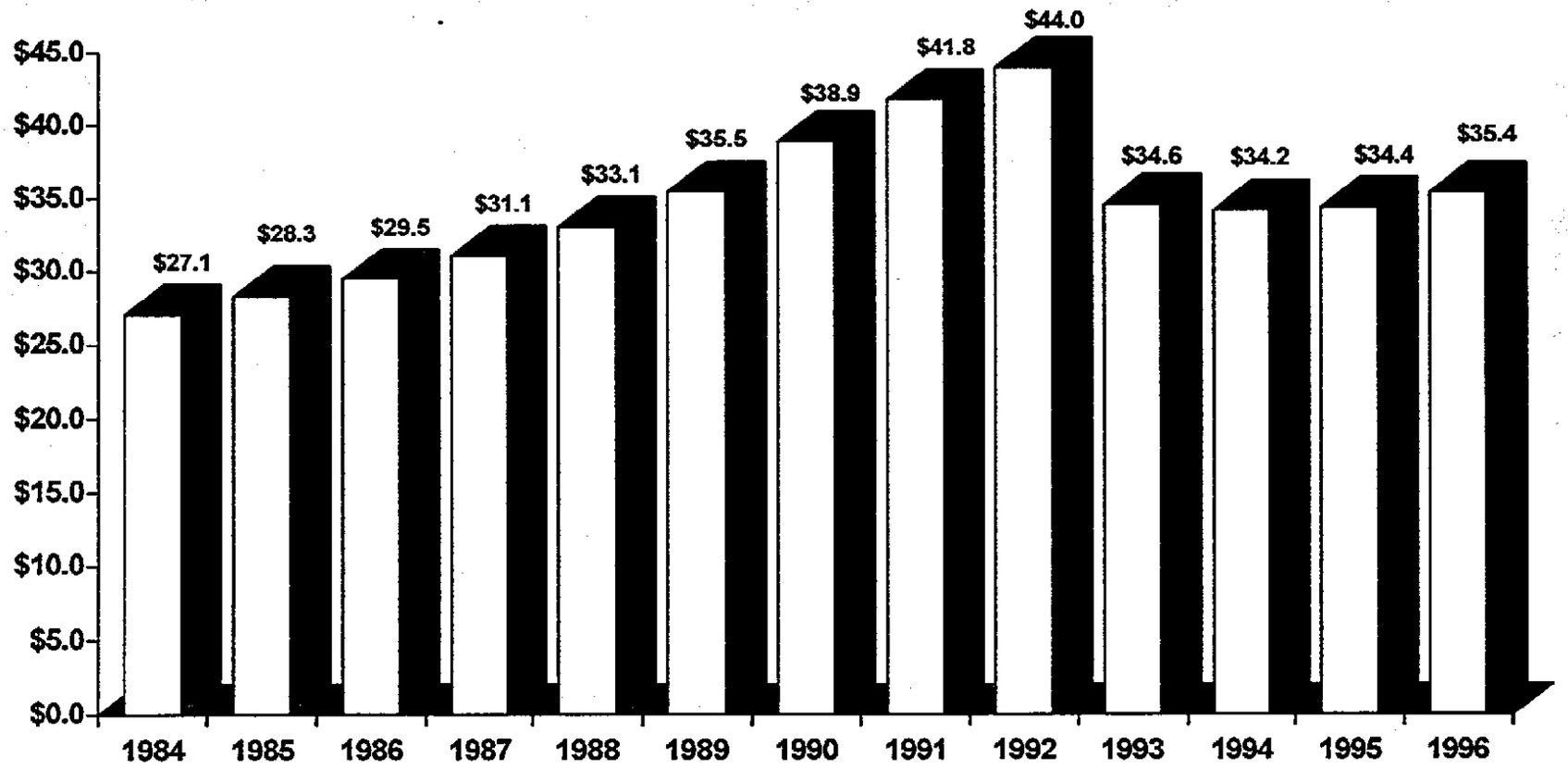
Billions of Cigarettes - Annually



Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000

Cigarette Retail Dollar Sales

Billions of Dollars - 1996 $

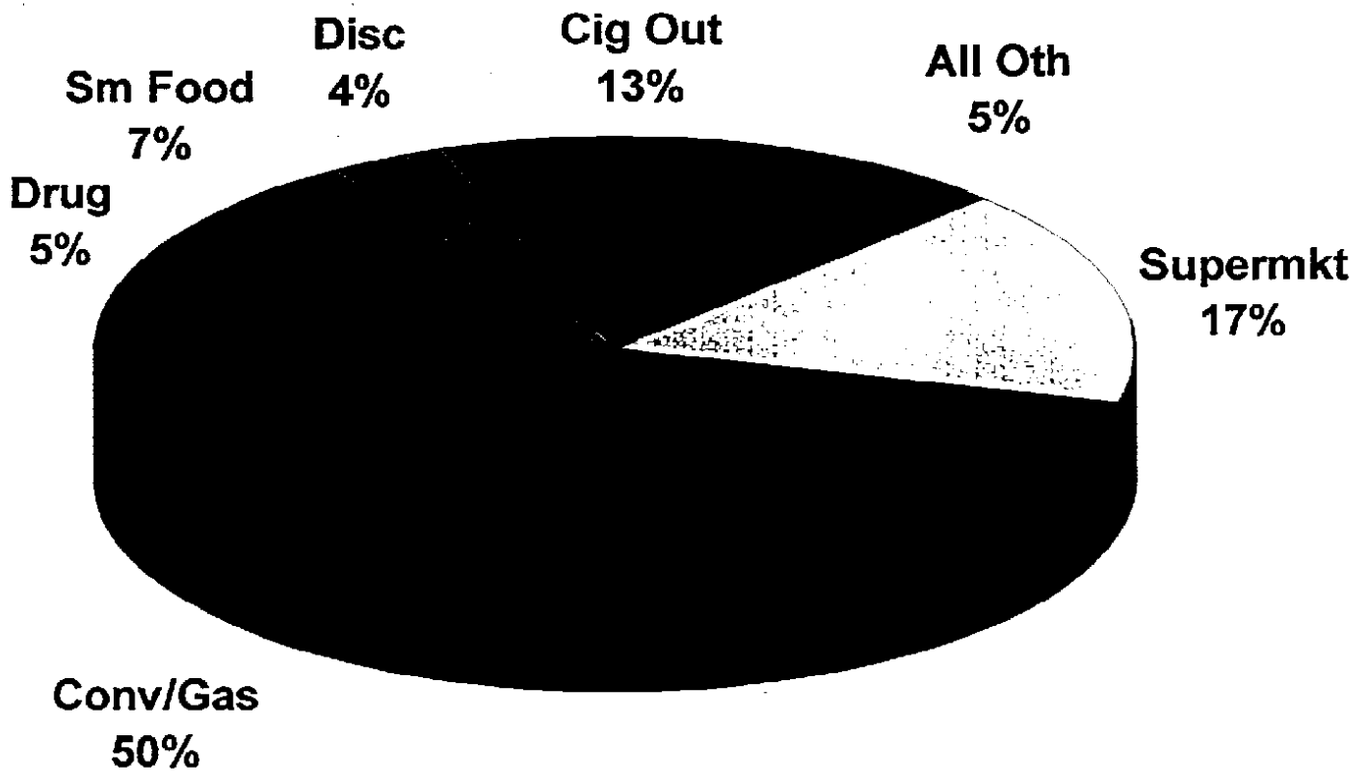


- Total retail dollars for 1996 estimated at nearly $35.4 billion.

Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000

"Where Consumers Purchase"

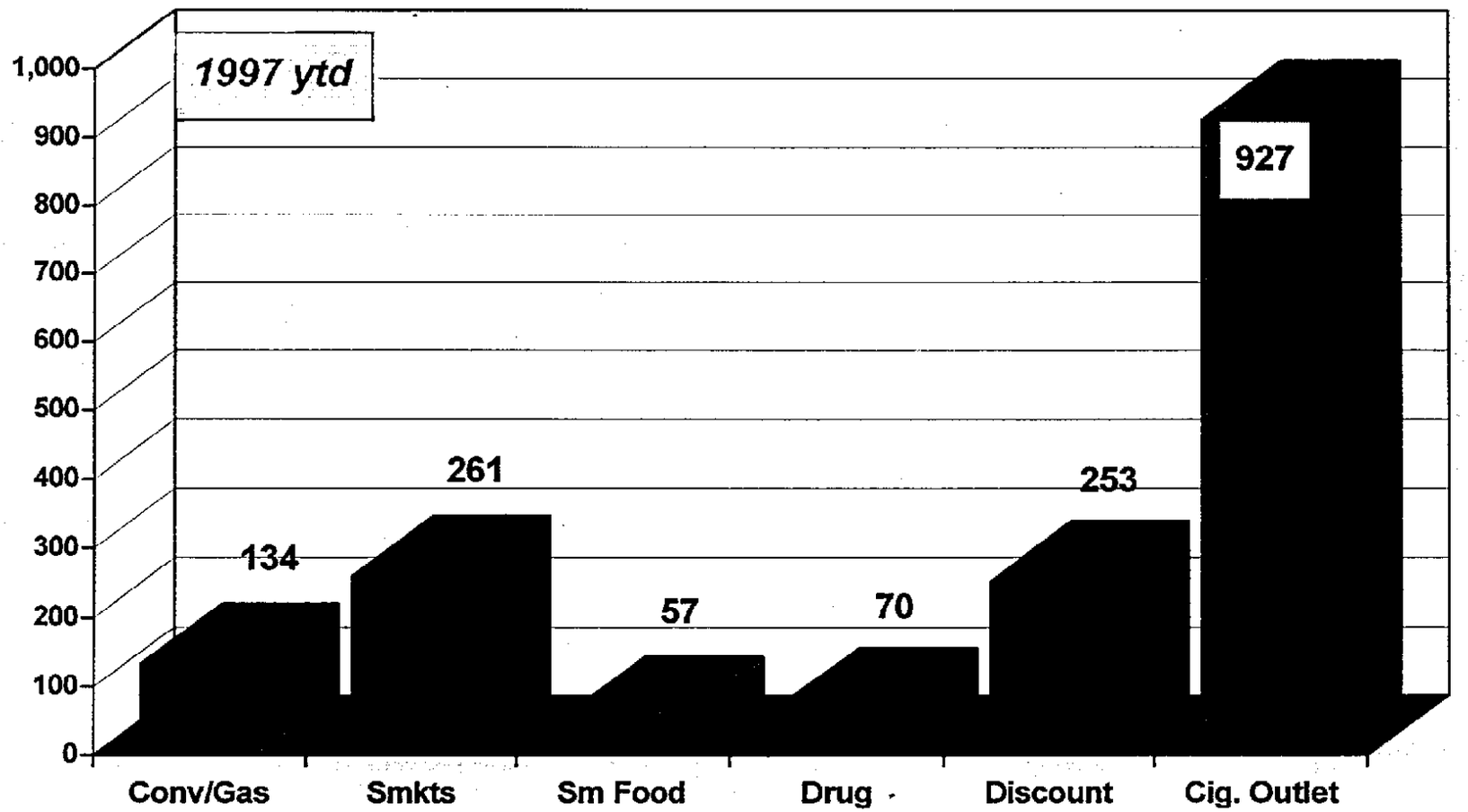
Percent of U.S. Volume - 1st Half 1997



Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000

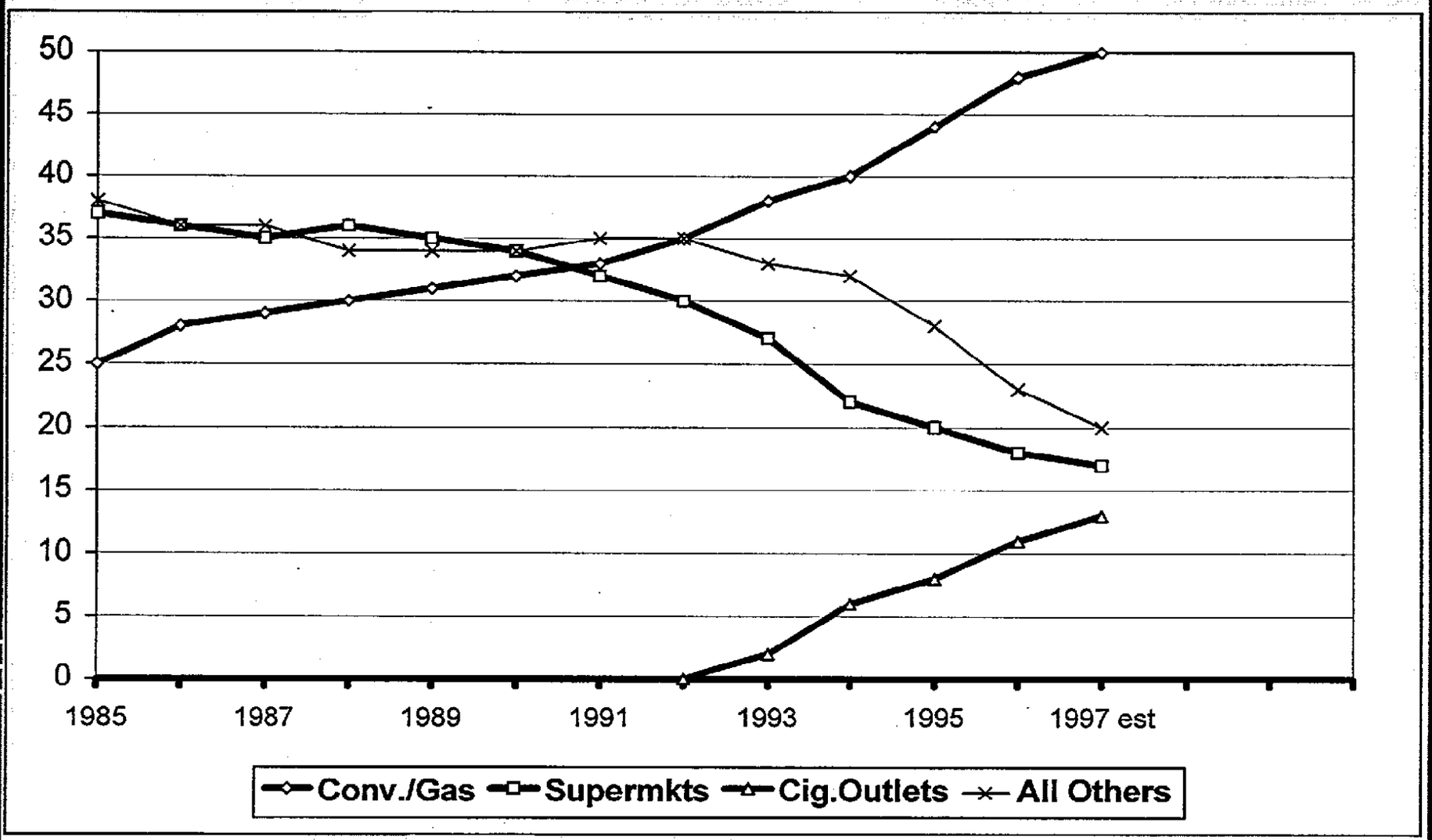
Total U.S. By Major Trade Class - 1st Half 1997

Average Weekly Carton Volume / Per Store



Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000

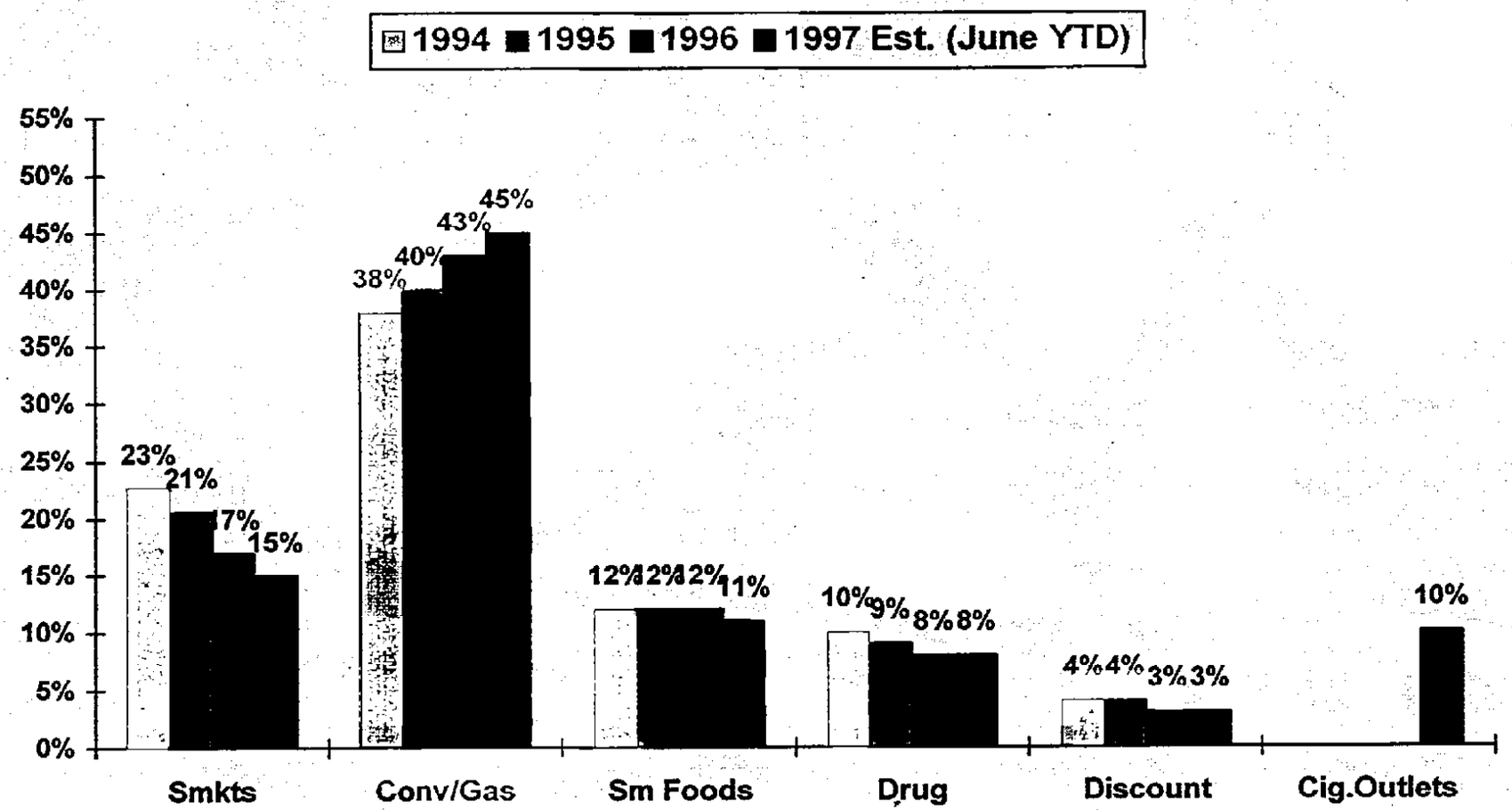
Total U.S. Share of Cigarette Industry Volume
Major Trade Class Trends



Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000

Northeast U.S.

Percent Cigarette Volume Trends By Retail Segment



Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000

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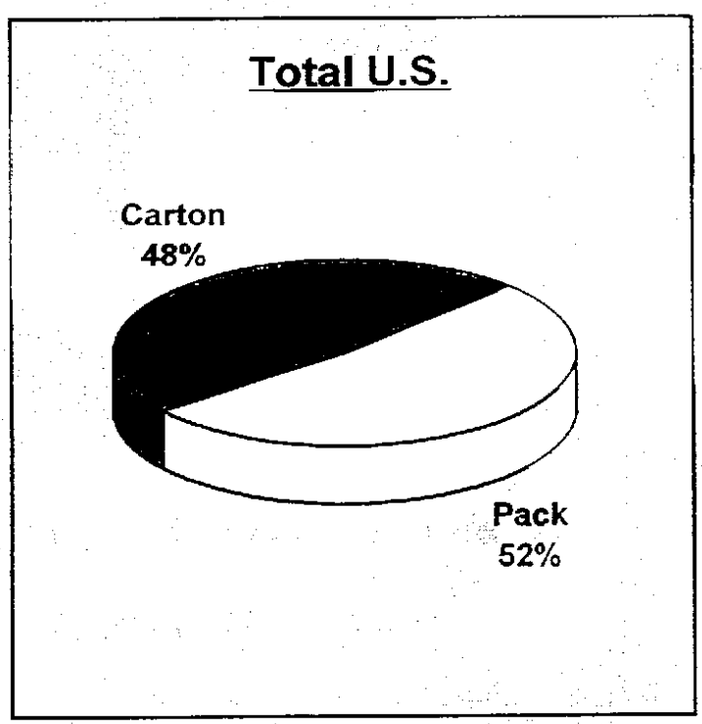
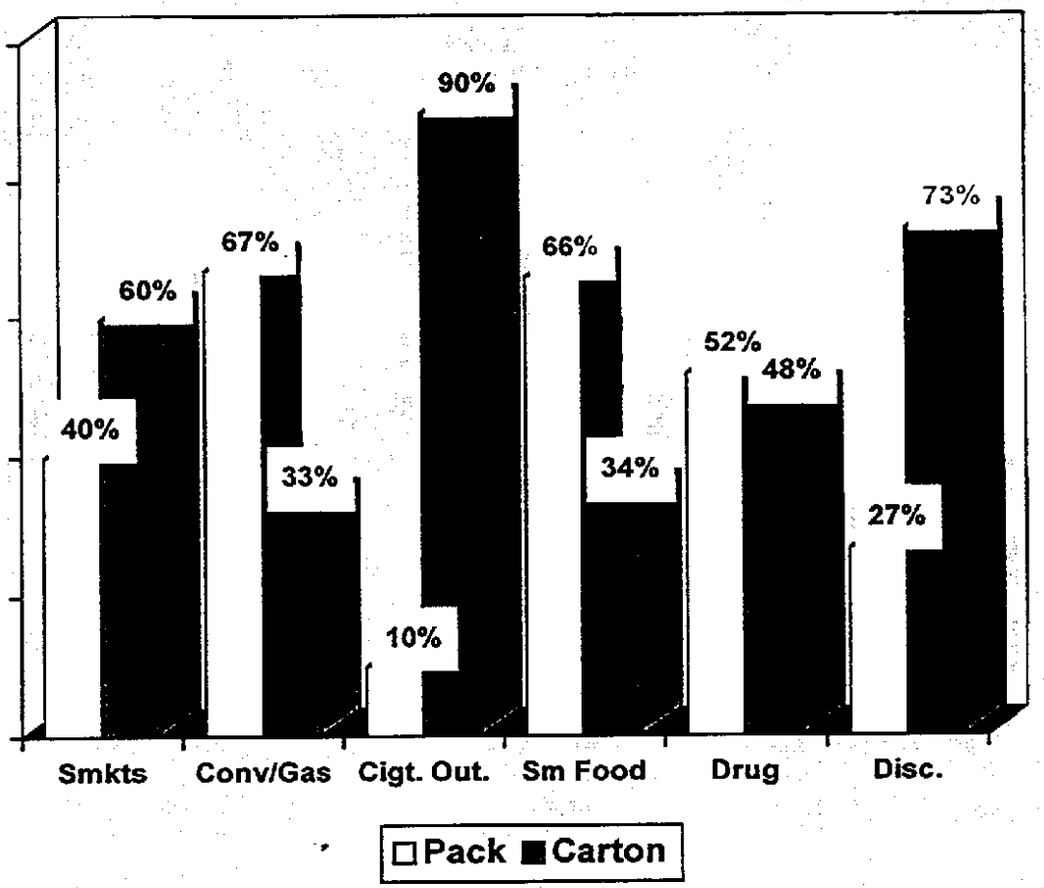
"How Consumers Purchase"

Pack / Carton Ratio - 1st Half 1997





Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000

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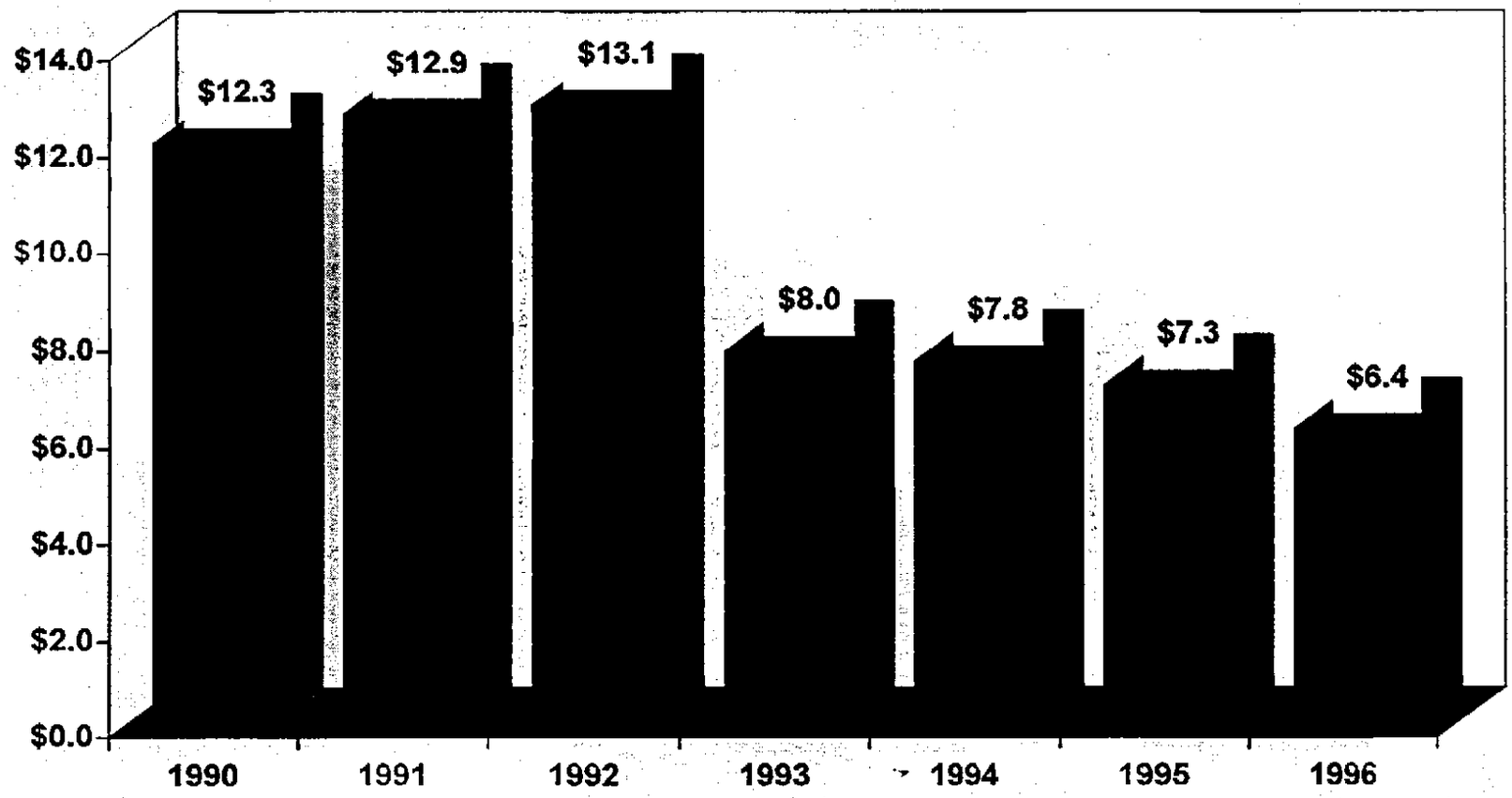
Supermarkets Cigarette Retail $ Sales

Billions of Dollars



Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000

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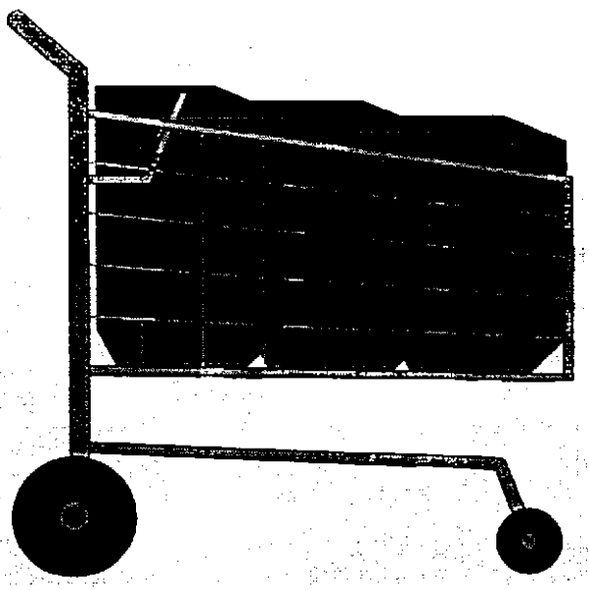
Supermarket Facts

- Annual supermarket sales of cigarettes are estimated to be at $6.4 billion for 1996.
- The supermarket share of total U.S. cigarette volume is approximately 18%, and shows a steady decline VS other retail trade segments.
- Cigarettes account for about 3% of total supermarkets all commodity volume, equal to the combined sales of candy/gum, spices/extracts, canned vegetables, dried vegetables, and pickles/olives.
- The average supermarket sells approximately 267 cartons of cigarettes per week.
- 62% of the cigarette volume that moves through supermarkets is in cartons, 38% in packs.
- Supermarkets are highly developed among female smokers, 50+ year-old smokers, carton purchasers, ultra low tar smokers, and 100-120mm smokers.



Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000

Supermarket Cigarette Purchasers

- **Adult Cigarette purchasers are important to your store. They drive up profits with high-margin cigarette sales. They spend more than non-smokers by about 13%.**
- **Supermarket percent of cigarette volume has declined, while convenience/gas stores have increased.**
- **Convenience stores are attracting your adult cigarette customers by aggressively promoting and displaying packs, as more consumers purchase by the pack.**
- **Adult Cigarette smokers want convenience. Attract adult cigarette shoppers who shop convenience stores by merchandising cigarettes at the "C-Store" within your store = *The Express Checklane*.**
- **Premium brand adult cigarette smokers are brand loyal. It is important to promote and display the full price, high margin brands at the checkout lanes.**

To Keep Your Adult Cigarette Purchasers and Gain Additional Adult Cigarette Purchasers, You Must Be Consumer Focused!

Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000

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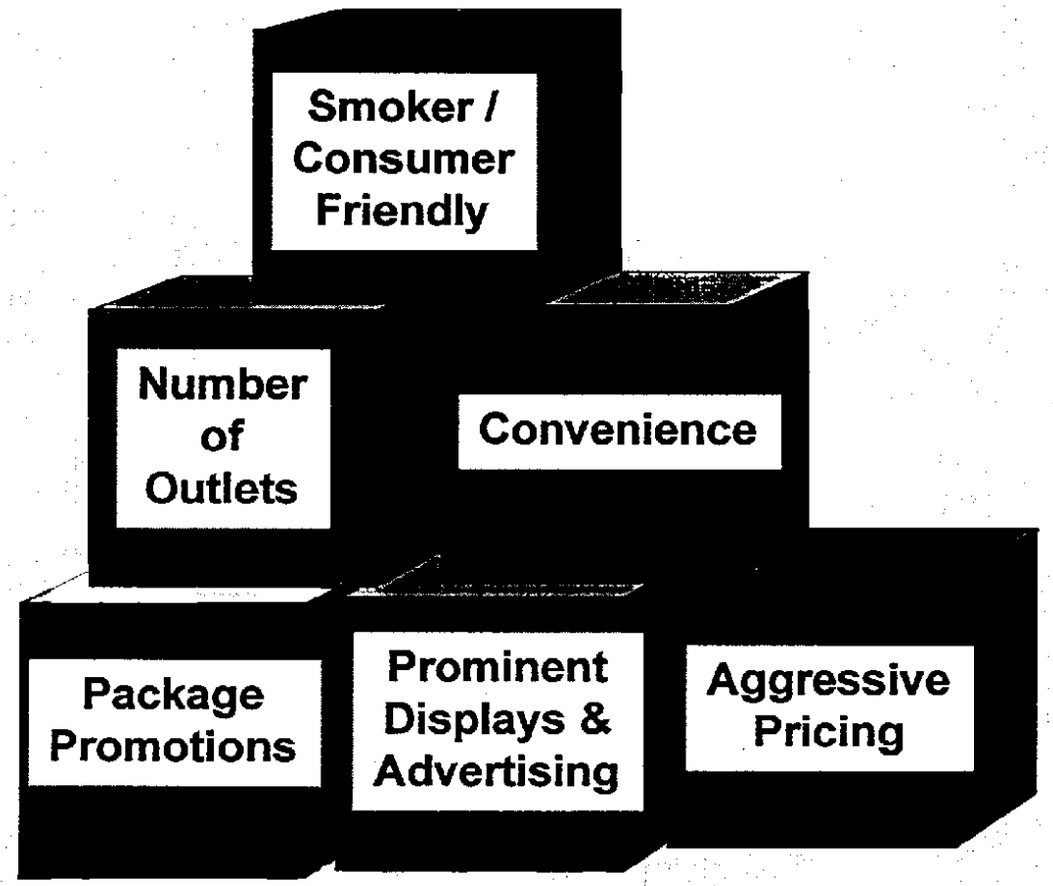
Convenience / Gas Segment Performance

"Why are 50% of cigarettes purchased at C/G stores ?"



Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000

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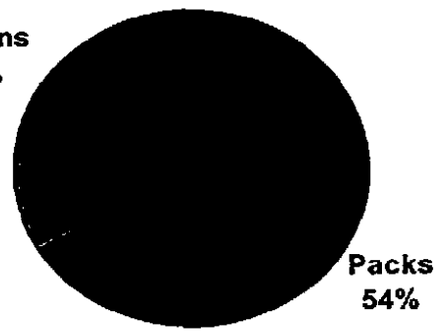
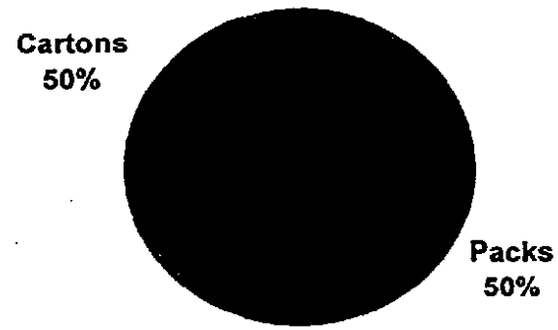
"How Consumers Purchase"

Pack / Carton Ratio By Geography - 1st Half 1997

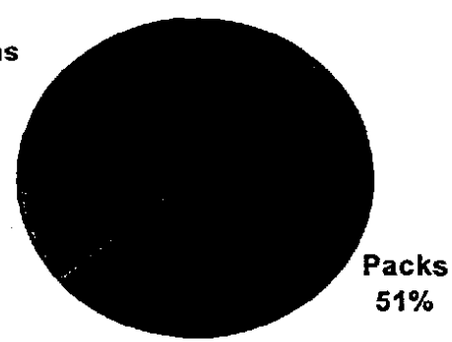
NorthEast



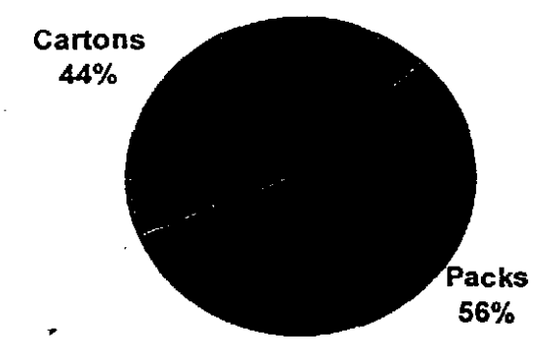
Southern



Mid West



Western



Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000

Smoker Purchase Patterns - Consumer Survey Data

Smoker Survey Questions / Responses *:

1) **What do you do when a store is out of your usual cigarette brand ?**
   - Go to another store 49.7%
   - Buy another style/length of usual brand 22.2%
   - Wait until store has usual brand in stock 1.5%
   - Buy a different brand entirely 23.9%

2) **Describe use of coupons to buy your usuual cigarette brand -**
   - Never use coupons on usual brand 3.4%
   - Use coupons as often as possible 58.8%
   - Only buy usual brand with coupon 5.4%
   - Never get any coupons for usual brand 28.8%

3) **Currently collecting packs, proofs of purchase, seals for any brand ?**
   - Yes 53.6% - No 42.7%

4) **In past 6 months, have you sent any proofs of purchase to get merchandise ?**
   - Yes 37.0% - No 60.5%

* Source : The survey results above are from over 3 million smokers responing to a "sreening" (purchase behavior questionaire), from the RJR Smoker Database - Spring 1996.

Source: https://www.industrydocuments.ucsf.edu/docs/zrky0000